

## Message Text

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ACTION AID-59

INFO OCT-01 ADP-00 EUR-06 NEA-05 EA-04 EB-05 INR-09 IGA-02

IO-09 OIC-01 L-03 SS-07 /111 W

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R 222221 Z MAR 73

FM USMISSION OECD PARIS

TO SECSTATE WASHDC 9145

INFO AMEMBASSY ISLAMABAD

AMEMBASSY DACCA

C O N F I D E N T I A L SECTION 1 OF 2 OECD PARIS 7214

AIDAC

ADCOR

E. O. 11652: GDS

SUBJECT: PAKISTAN CONSORTIUM MEETING; MACDONALD: STATEMENT

1. THE FOLLOWING STATEMENTS WERE MADE BY AA/ ASIA MACDONALD AT THE PAKISTAN CONSORTIUM MEETINGS.

2. MARCH 21, CLOSED SESSION ON THE PROBLEM OF THE DIVISION OF DEBT BETWEEN PAKISTAN AND BANGLADESH.

THANK YOU MR. CHAIRMAN. MOST OF THE POINTS MY DELEGATION WISHED TO MAKE HAVE ALREADY BEEN COVERED IN THE STATEMENTS OF OTHER DELEGATIONS. WE FIND OURSELVES IN SUPPORT OF MOST OF THE PRECEEDING STATEMENTS ESSENTIALLY IN THEIR ENTIRETY. IMPLICIT IN FOREGOING STATEMENTS HAS BEEN FAIRLY CLEAR CONSENSUS THAT CONSORTIUM WANTS TO MAINTAIN SOLID PHALANX TO BOTH DEBTORS. I WOULD LIKE TO BE EXPLICIT ON THIS POINT. FAILURE TO MAINTAIN A CORPORATE POSTURE WOULD IMMEDIATELY DOOM EFFORTS EITHER TO BRING PAKISTAN TO CONTINUE TO OBSERVE ITS LEGAL LIABILITY FOR ALL DEBT IN THE INTERIM OR BANGLADESH'S ASSUMPTION OF ITS FAIR SHARE.

SO, THE FIRST POINT I MAKE FOR MY GOVERNMENT IS THAT WE SHOULD ALL BEHAVE IN A WAY TO PREVAIL ON EITHER OR BOTH PAKISTAN  
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AND BANGLADESH TO AVOID A SITUATION IN WHICH NEITHER IS SERVICING CREDITS APPLICABLE TO EAST PAKISTAN FROM US AFTER JUNE 30.

SECONDLY, WE BELIEVE OUR PRIMARY EFFORT SHOULD BE TO PREVAIL UPON BANGLADESH TO ACCEPT LIABILITY FOR ITS FAIR SHARE OF THE DEBT QUICKLY -- QUICKLY ENOUGH, IS THAT IS POSSIBLE, TO AVOID THE NEED TO EXTRACT AGREEMENT FROM PAKISTAN TO CONTINUE LIABILITY FOR ALL DEBTS AFTER JUNE 30.

WE REAFFIRM OUR READINESS TO PARTICIPATE IN A GENEROUS RESCHEDULING OF BANGLADESH DEBT AS AN INDUCEMENT TO THIS END -- NOT AN INDONESIAN- RESCHEDULING; RATHER AN APPROPRIATE BANGLADESH- STYLE RESCHEDULING.

NEXT WE CONTINUE TO BE READY TO PARTICIPATE IN AN APPROPRIATE INTERIM ARRANGEMENT WITH PAKISTAN OF UP TO ONE YEAR TO PROVIDE TIME TO FINISH THE DIVISION OF DEBT. ALL THIS IS WITHOUT REGARD TO THE QUESTION OF RECOGNITION BY THE COUNTRIES OF EACH OTHER.

I WAS GRATIFIED, MR. CHAIRMAN, BY YOUR INTERPRETATION OF PAKISTAN OFFICIAL STATEMENTS THAT THEY WERE NOT SERIOUSLY EXPECTING THE CONSORTIUM WOULD AGREE TO A LONG TERM RESCHEDULING. WE HAVE AS I UNDERSTAND IT A FORMAL AIDE MEMORE REQUESTING JUST THAT, A REQUEST WHICH I UNDERSTAND IS THEREFORE VERY MUCH ON THE AGENDA FOR TOMORROW'S OPEN MEETING WITH THE PAKISTAN DELEGATION. WE HAVE ALREADY ADVISED PAKISTAN OFFICIALS THAT THE US COULD NOT SUPPORT SUCH A LONG TERM RESCHEDULING PRIOR TO THE DIVISION OF DEBT.

WITH FURTHER REGARD TO A SHORT RUN, TIME- PROVIDING, INTERIM ARRANGEMENTS I WOULD LIKE TO MAKE SOME SPECIFIC OBSERVATIONS. WE APPRECIATE THE QUESTION BY THE HEAD OF THE GERMAN DELEGATION ABOUT WHAT KIND OF A SHORT RUN ARRANGEMENT PAKISTAN MIGHT FIND ACCEPTABLE AND MR. KING'S ( UK ) COMMENT ON THIS ALSO. I WOULD LIKE TO BE ENTIRELY CLEAR ABOUT YOUR ANSWER, MR. CHAIRMAN, DID YOU MEAN THAT TO BE POLITICALLY ACCEPTABLE A SHORT TERM ARRANGEMENT MUST NOT ONLY COVER AN AMOUNT EQUIVALENT TO THE ESTIMATED EAST PAKISTAN DEBT BUT MUST COVER EACH INDIVIDUAL ONE OF THOSE DEBTS INCLUDING, FOR EXAMPLE, IBRD DEBTS AND PORTIONS OF BILATERAL PROGRAM AID ATTRIBUTABLE TO EAST PAKISTAN? IF SO, WE THINK SUCH A POSITION BY PAKISTAN

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WOULD BE MOST UNFORTUNATE FOR 3 REASONS. FIRST, BECAUSE

WE AGREE WITH THE CANADIA DELEGATE THAT THERE IS DANGER IN TRYING TO DECIDE DEFINITELY WHICH DEBTS ARE ATTRIBUTABLE TO EAST PAKISTAN BEFORE THE PARTIES INVOLVED HAVE AGREED ON A DIVISION. SECOND, BECAUSE WE FORESEE COMPLEX ADMINISTRATIVE PROBLEMS IN TRYING TO CARRY OUT A SHORT TERM EXERCISE AND ALSO RESCHEDULE EACH DEBT TENTATIVELY DESIGNATED BY PAKISTAN OR BY THE BANK AS ATTRIBUTABLE TO EAST PAKISTAN. THIRD, AN INTERIM ARRANGEMENT WHICH EFFECTS A DEFACTO DIVISION BETWEEN PAKISTAN AND BANGLADESH WOULD TEND TO SUBSTANTIATE THE PAKISTAN POSITION THAT IT SHOULD NOT BE HELD RESPONSIBLE FOR SERVICING THE DEBTS OF BANGLADESH AND CONSEQUENTLY WEAKEN THE CREDITORS CLAIM ON PAKISTAN FOR THE ENTIRE DEBT.

ALSO , MR. CHAIRMAN, YOU NOTED IN YOUR REMARKS THAT YOU TOOK THE WORDING OF THE RECENT PAKISTANI AIDE MEMOIRE AS HAVING BEEN VERY CAREFULLY PHRASED TO PERMIT A RETREAT. YOU SAID YOU DID NOT KNOW WHETHER TO EXPECT HOWEVER THAT THEY WOULD BE AUTHORIZED TO DO SO IN THE FORTHCOMING MEETING. EVEN ASSUMING SUCH A RETREAT POSITION EXISTS, THEY ARE LIKELY TO BE INHIBITED ABOUT MAKING IT PUBLICLY KNOWN OUT OF CONCERN THAT DOING SO WOULD BE A SIGNAL TO BANGLADESH THAT THAT GOVERNMENT COULD CASUALLY RESIST FOR ANOTHER YEAR REPRESENTATIONS THAT IT ACCEPT LIABILITY FOR ITS SHARE. I THINK THIS CONSIDERATION SUGGESTS THAT WE THE CONSORTIUM MUST ALSO BE CAREFUL IN HOW WE TREAT THIS POINT WITH THE BANGLADESH AUTHORITIES NEXT WEEK IN DACCA.

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C O N F I D E N T I A L SECTION 2 OF 2 OECD PARIS 7214

AIDAC

IN ANSWER TO YOUR OPENING QUESTION AS TO WHETHER THE GROUP WISHED TO PROCEED TO TOMORROWS MEETING FOLLOWING THE ESTABLISHED

AGENDA, WE ARE QUITE PREPARED TO DO SO, HOWEVER, I ACKNOWLEDGE THE VALIDITY OF THE POINTS MADE BY THE UK AND OTHER DELEGATIONS THAT PUTTING THE DISCUSSION OF DEBT TO THE FORE WOULD HAVE THE MERIT OF CASTING LATER DISCUSSION OF NEW AID COMMITMENTS IN A SEQUENCE THAT MIGHT BE HELPFUL TO RESPONSIVE DISCUSSIONS ON DEBT. THE GROUP SHOULD KNOW HOWEVER, IN OUR CASE WE HAVE ALREADY NOT MERELY PLEDGED BUT FULLY COMMITTED TO PAKISTAN OUR AID AVAILABILITIES FOR 1973-74.

AS TO YOUR SECOND QUESTION, I WILL BE HEADING THE US DELEGATION TO THE AID GROUP MEETING IN DACCA NEXT WEEK.

3. MARCH 22, OPENING SESSION.

THANK YOU, MR. CHAIRMAN. I WOULD LIKE TO EXPRESS OUR GRATITUDE TO THE HEAD OF THE PAKISTAN DELEGATION FOR HIS LUCID PRESENTATION OF THE ECONOMIC SITUATION AND PROSPECTS IN PAKISTAN AT THIS TIME AND HIS EXPOSITION OF HIS GOVERNMENT'S UNDERSTANDABLE POSITION ON THE DEBT PROBLEMS.

FOR THE TIME BEING, MR. CHAIRMAN, I WILL LIMIT MY COMMENTS TO THE DEBT PROBLEM.

MY GOVERNMENT ATTACHES GREAT IMPORTANCE, AS DO OTHER DONORS HERE, THAT A SITUATION NOT DEVELOP AFTER JUNE 30 IN WHICH  
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LIABILITY FOR CREDITS CONTRACTED BY THE GOVERNMENT OF PAKISTAN APPLICABLE TO EAST PAKISTAN IS ACCEPTED BY NEITHER PAKISTAN NOR BANGLADESH.

THIS EVENTUALITY COULD BE AVOIDED IF A DIVISION OF DEBT COULD BE AGREED BEFORE THE EXPIRATION OF THE CURRENT ARRANGEMENTS.

WITHOUT SUCH AGREEMENT, WE FEEL WE MUST CALL UPON PAKISTAN TO CONTINUE, TEMPORARILY, ACCEPTANCE OF LIABILITY UNDER AN INTERIM ARRANGEMENT CARRYING NO FINANCIAL BURDEN -- AND I STRESS NO FINANCIAL BURDEN.

HAVING SAID THIS ABOUT PAKISTAN CONTINUING TO CARRY LIABILITY I WANT TO SAY THAT WE BELIEVE THE CONSORTIUM SHOULD BE VERY FORTHRIGHT IN ITS ASSURANCES TO PAKISTAN THAT THE FINAL SOLUTION TO THE DEBT PROBLEM WILL ENTAIL ACCEPTANCE BY BANGLADESH OF ITS APPROPRIATE SHARE OF THIS DEBT. THE CONSORTIUM HAS NOT ONLY AN INTEREST IN THIS, BUT -- GIVEN THE OBVIOUS EQUITIES INVOLVED -- A RESPONSIBILITY TO IMPRESS UPON BANGLADESH THE NEED FOR AN EARLY AGREEMENT TO ACCEPT ITS SHARE OF THE DEBT AND THE NEED FOR RAPID IMPLEMENTATION OF THAT AGREEMENT.

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